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10 **UNITED STATES DISTRICT COURT**
11 **NORTHERN DISTRICT OF CALIFORNIA**
12 **OAKLAND DIVISION**

13 LOCATA LBS LLC, a California limited
14 liability company,

15 Plaintiff,

16 v.

17 PAYPAL, INC., a Delaware corporation, and
18 EBAY INC., a Delaware corporation,

19 Defendants.
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CASE NO.: 4:14-cv-01864-JSW

**JOINT STATUS REPORT REGARDING
PETITION FOR *INTER PARTES* REVIEW
OF U.S. PATENT NO. 6,259,381**

Pursuant to the Court's order at the August 29, 2014 Case Management Conference, Plaintiff Locata LBS LLC ("Locata") and Defendants eBay Inc. and PayPal, Inc. (collectively, "eBay Defendants") jointly submit this Joint Status Report Regarding Petition for *Inter Partes* Review of U.S. Patent No. 6,259,381 ("the '381 patent" or "the patent-in-suit") to: (1) apprise the Court of the decision by the Patent Trial and Appeals Board ("PTAB" or "Board"); and (2) to outline the parties' positions on the effect of the PTAB's decision on these proceedings.

I. THE PTAB'S DECISION

On April 4, 2014, the eBay Defendants filed a petition for *inter partes* review on claims 1-12 of the '381 patent, the claims asserted in this case.

On July 14, 2014, Locata filed a preliminary response to the eBay Defendants' petition for *inter partes* review.

On October 9, 2014, the PTAB issued its Decision, ordering as follows:

ORDERED that *inter partes* review is *granted* as to claims 1-12 of the '381 patent with respect to the following ground:

Claims 1-12 under 35 U.S.C. 103 as obvious over the combination of Fast and Buss;

FURTHER ORDERED that pursuant to 35 U.S.C. 314(a), *inter partes* review of the '381 patent is hereby instituted commencing on the entry date of this Order, and pursuant to 35 U.S.C. 314(c) and 37 C.F.R. 42.4, notice is hereby given of the institution of a trial; and

FURTHER ORDERED that no ground other than those specifically granted above is authorized for the *inter partes* review as to claims 1-12. *See* Decision, Institution of Inter Partes Review, attached hereto as Exhibit A, at 14.

On October 9, 2014, the PTAB also issued a Scheduling Order, setting the schedule for *inter partes* review. *See* Scheduling Order, attached hereto as Exhibit B.

Prior to the PTAB's decision, on August 26, 2014, the eBay Defendants filed a motion to stay these proceedings pending completion of *inter partes* review. Dkt. No. 72. On September 9, 2014, Locata filed its opposition to the eBay Defendants' motion to stay. Dkt. No. 76. On September 16, 2014, the eBay Defendants filed their reply brief. Dkt. No. 77.

During the August 29, 2014 Case Management Conference, in addressing the eBay

Defendants' pending motion to stay, the Court imposed an interim stay of proceedings in this case, reset the hearing date, and ordered that the briefing schedule on the motion to stay be maintained. The Court also requested that the parties file a joint status report within ten (10) days of the PTAB's decision on the eBay Defendants' petition, indicating the PTAB's decision and outlining the parties' positions on the effects of that decision on these proceedings.

II. THE EFFECT OF THE PTAB'S DECISION ON THE CURRENT CASE

A. Statement of the eBay Defendants

The PTAB's institution of *inter partes* review of claims 1-12 of the '381 patent represents the PTAB's determination that there is a "reasonable likelihood" that the eBay Defendants will prevail in invalidating each of the asserted claims based on the combination of U.S. Patent No. 5,497,149 to Fast and U.S. Patent No. 5,539,395 to Buss. *See* Exhibit A at 2, 10-14. This determination supports the eBay Defendants' request that proceedings in this case should be stayed pending completion of the *inter partes* review. The America Invents Act enacted *inter partes* review with the purpose of taking advantage of the PTAB's ability to leverage its expertise in a streamlined administrative process while reducing the burden on district courts. This purpose carries particular weight here where Locata is maintaining actions in multiple district courts.

There is a complete overlap between the claims asserted in this case and the claims now under *inter partes* review. *Inter partes* review is likely to result in all or some claims being cancelled or amended within the next twelve months; thus, proceeding forward in this case imposes an unnecessary burden on the court and the parties. 35 U.S.C. § 316(a)(11). Indeed, invalidation of all of the asserted claims in *inter partes* review will eliminate the need for this case altogether. Even if only some of the claims are cancelled, this case will be simplified because the scope of issues for resolution will be narrowed. At a minimum, the *inter partes* review proceedings will provide the Court with the benefit of the PTO's expertise with respect to the asserted claims.

Furthermore, positions the parties take in *inter partes* review may affect the scope of the claims and/or construction. Proceeding with this case risks inconsistent decisions by the PTAB and the Court in this regard, and could force the Court to unnecessarily expend resources on construing claims that will have been modified or will no longer be at issue. A stay will conserve judicial and

1 party resources while the PTAB completes its review.

2 For these reasons as well as those reasons outlined in the eBay Defendants' motion to stay
3 and their reply brief in support thereof, the eBay Defendants respectfully request that the Court stay
4 proceedings in their entirety until final resolution of the PTAB's *inter partes* review of the patent-in-
5 suit, including until final resolution of any and all appeals in connection with the *inter partes* review
6 proceedings.¹

7 **B. Statement of Locata**

8 Although eBay asserted 3 grounds for invalidity and 13 exhibits of prior art and background
9 references, the Board instituted review only on a single ground for obviousness, based on the
10 combination of 2 alleged prior art references. With respect to all other grounds and prior art
11 references asserted by eBay, the Board held: "Given our determination that there is a reasonable
12 likelihood that Petitioner would prevail on the grounds that claims 1-12 are unpatentable as obvious
13 over the combination of Fast and Buss, and that the strengths of the additional obviousness grounds
14 over the ground relying on the combination of Fast and Buss are not evident, we exercise our
15 discretion to not authorize the review to proceed on these additional grounds of unpatentability."
16 See Exhibit A at 13.

17 Moreover, as the Board made very clear in its CONCLUSION, "[a]t this stage of the
18 proceeding, the Board has not made a final determination as to the patentability of any challenged
19 claim." See Exhibit A at 14. Thus, as Locata predicted in view of the weakness of eBay's asserted
20 invalidity grounds, the Board did not fully grant eBay's Petition. Therefore, eBay's *inter partes*
21 review (and by function of statutory estoppel, effectively its entire prior art-based invalidity defense
22 in this case) rests on a single ground for invalidity, based on the combination of 2 references
23 directed to disparate fields of application.

24 Locata maintains that the Board's decision to institute review on only *part* of eBay's Petition
25 weighs against a stay, for the reasons it presented in its briefing on eBay's Motion to Stay.

26 ¹ The parties are currently discussing a possible stipulation to stay the case in view of the PTAB's
27 decision to institute the *inter partes* review on the patent-in-suit. Counsel for the parties have not
28 reached an agreement on the language for any proposed stipulation at this time.

1 However, in view of the interim stay already set by the Court and the December 5, 2014 hearing
 2 date for eBay's Motion to Stay, by the time this Court hears eBay's Motion to Stay, the *inter partes*
 3 review proceeding will already be near completion of the first phase, Due Date 1. *See* Exhibit B at
 4 6. Consequently, despite the prejudice to Locata, on October 17, 2014, Locata proposed to eBay
 5 that the parties withdraw the pending Motion to Stay and stipulate to a stay of the case until the
 6 Board issues its final written decision, in an effort to avoid unnecessary burden on the Court. A
 7 stipulated stay (upon the Court's approval) would save the Court the burden of dealing with eBay's
 8 motion and allow the parties to revisit the status of this case after the Board has made a final
 9 determination as to the patentability of the challenged claims. Counsel for Locata understands that
 10 counsel for eBay has been seeking eBay's approval on the proposed stipulated stay but has not been
 11 able to obtain confirmation as of the filing of this status report.

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 13 DATED: October 20, 2014

Respectfully submitted,

K&L Gates LLP

By: /s/ Michael J. Bettinger
 Michael J. Bettinger

Attorneys for Defendants
PayPal, Inc. and eBay Inc.

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 20 DATED: October 20, 2014

Respectfully submitted,

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Filers Attestation: Pursuant to Local Rule 5-1(i), the filer hereby attests that the signatory listed, and on whose behalf the filing is submitted, concur in the filing's content and have authorized the filing.